

# Summary of Content from Chat on Budget Workshop Webinar on June 15, 2016

## Department of Local Government Finance (DLGF)

**Financial Institution Tax (FIT) change** is a permanent adjustment to the maximum levy

**Certified Net Assessed Value (CNAV)** on Gateway is available around August 1<sup>st</sup>.

**County Council Budget Approval:** Library describes where they received approval for change in max levy. Still have to go for approval if budget exceeds average growth quotient. Levy does not have direct impact on appropriations. Go for approval on the appropriations.

Appropriations is the spending side of budgeting and the max levy is the revenue side. The amount of appropriations a unit can have is not limited to the max levy.

**Average Growth Quotient:** If State growth quotient is more than County growth quotient, we are still fine as long as we remain within State GQ, correct? Control is based on statewide growth quotient.

The estimated date or actually the deadline for receiving the average growth quotient is June 30.

**Website Link to DLGF Transparency Portal:** Requirement to have Gateway link on political subdivision website, if you have a website. The link is <http://gateway.ifionline.org>. This is to "Open Door into Local Government Finance." The deadline for link on the website is July 31, 2017

**Uploading Contracts:** 60 days after contract executed then it is uploaded. The link to upload contracts will be available on the Gateway in a couple of weeks.

Link to 5/24 memo regarding the uploading of contracts is <http://www.in.gov/dlgf/2444.htm> or [http://www.in.gov/dlgf/files/pdf/160524 - Schaafsma Memo - Contract Reporting Requirements.pdf](http://www.in.gov/dlgf/files/pdf/160524_-_Schaafsma_Memo_-_Contract_Reporting_Requirements.pdf)

**Advertising:** Do we still publish form 3 in newspaper? No you don't need to publish the Budget Notice to Taxpayers in the newspaper. However, you still have to advertise additional appropriations.

**Fundable Budget:** How does DLGF determine what is "not fundable"? Definition of "not fundable"? Ending fund balance at end of the cycle, next year, has a negative fund balance. Then DLGF does a review and makes adjustments.

So will the DLGF fund a budget that exceeds AVGQ if you have fund balance to support appropriation? Yes. If elected body approves budget above AVGQ, then DLGF will determine if you have fund balance to support appropriation.

**LOIT Distribution:** Will libraries receive a LOIT special distribution every year? No. This year libraries received a special distribution. It may increase the distribution in subsequent years since a lesser amount is required to be withheld, but don't know by how much. So we calculate the LIT amounts for our budgets based on the previous year's amount? It is a good way to estimate by basis on previous year's amount of LIT until the certified amounts are known.

**Rainy Day Fund** is established by a board resolution and includes what it has to be spent on e.g. resolution specifies sources of revenue and the usage of the revenue. A sample resolution can be found on the LDO website at <http://www.in.gov/library/3289.htm>.

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The process for requesting an appropriation for the Rainy Day Fund is the same process as requesting an appropriation for the Operating Fund. During the budget cycle, in addition to Gateway forms for Operating Fund, the library prepares Gateway Forms for Rainy Day Fund. It differs from the Operating Fund in that there is not an associated levy and tax rate. The additional appropriation will increase the library's total budget. It may result in the library budget being reviewed by the elected body for approval if the increase in the total budget exceeds the average growth quotient (AVGQ).

**Circuit Breaker discussion:** There was much discussion on the circuit breaker information that library's will receive from the DLGF. The 2017 budgets will include the circuit breaker information. The concern is that the circuit breaker accounting in the budget will result in libraries' budget exceeding the growth quotient. More information on this is to come from the DLGF in a memo.

When will the DLGF send out circuit breaker amounts for the ensuing year? Before August 1, the Department shall provide each taxing unit with an estimate of the amount by which the taxing unit's property tax distribution will be reduced by circuit breaker credits in the ensuing year. (IC 6-1.1-20.6-11.1)

**Property taxes:** How will I know how much library receives in property taxes for last six months? Go to your DLGF meeting with your representative and that information will be available. The other way to check is to review the 1782 amount or look at final budget order. DLGF will develop a formula for calculating the appropriate amount.

**Non-binding review:** What if we don't get a response from county council on the review? Email [gateway@dlgf.in.gov](mailto:gateway@dlgf.in.gov) to make sure rights are correct for non-binding review. If you don't get a response from county council about review, then contact the DLGF. There are no more penalties against the fiscal body for not responding.

**Budget Hearing:** At least 10 days before the public hearing for the 2017 annual budget, the political subdivision shall submit its Notice to Taxpayers on Gateway. (IC 6-1.1-17-3(a)). That is 10 calendar days not 10 weekdays. And day 0 is the day of the publication of Form 3.

**Budget Notices** can be found here [www.budgetnotices.in.gov](http://www.budgetnotices.in.gov).

**Extension of Services (Slide 32 in 2d presentation):** If the city annexed property that is part of the library district then the library would answer "yes" to the question. Extension is serving a larger geographic area.

**1782 and Form 4** Library does not receive a 1782 before they submit a Form 4.

**Gateway:** It is not firm but hopefully the Gateway will open next week (June 20<sup>th</sup> +)

**Link to Budget Calendar** on DLGF website [http://www.in.gov/dlgf/files/pdf/160621\\_-\\_Jones\\_Memo\\_-\\_Budget\\_Calendar\\_Revised.pdf](http://www.in.gov/dlgf/files/pdf/160621_-_Jones_Memo_-_Budget_Calendar_Revised.pdf)

**Additional appropriations:** If you are at your max levy you can complete paperwork for additional appropriations to spend more if you cash balance supports. Contact your DLGF representation. To see paperwork for additional appropriation go to this DLGF memo [http://www.in.gov/dlgf/files/pdf/160426\\_-\\_Jones\\_Memo\\_-\\_Additional\\_Appropriation\\_and\\_Transfer\\_Procedures.pdf](http://www.in.gov/dlgf/files/pdf/160426_-_Jones_Memo_-_Additional_Appropriation_and_Transfer_Procedures.pdf)

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You can do an additional appropriation in 2016 and spend in 2016. If the additional appropriation puts the library over the growth quotient, then approval of budget or appropriation comes from the elected fiscal body.

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### State Board of Accounts

**Audit and Exit Conference** occurs at the close of an audit. You have a chance to respond to the auditor's comments.

**Audits:** Are there any immediate plans for library audits to start again? IC 5-11-1-25 provides the criteria to use in determining the examination frequency of entities.

Examinations are completed annually (biennially for a school corporation) if one or more of the following apply:

1. If the entity is subject to an annual federal audit;
  - a. A federal audit is required if the amount of federal expenditures exceeds:
    - ii. \$750,000 for an audit period that begins after December 26, 2014; or
    - iii. \$500,000 for an audit period that begins before December 26, 2014.

Due to continuing disclosure requirements; or  
As a condition of a public bond issuance.

If criteria in statute not applicable, the SBOA uses a risk based approach to determine the frequency of examinations. These risk based factors include (but are not limited to):

1. Election or Appointment of new fiscal officer or key employees
2. Timeliness and accuracy of Annual Financial Report (AFR) (required by IC 5-11-1-4)
3. Results of prior examinations
4. Risk Assessment questionnaire they complete within their AFR
5. Information presented to SBOA by outside sources (staff, citizens, vendors, etc.)

Regardless of the results of the risk based assessment, examinations are completed at least once every four years.

The amount to budget for an audit is \$175 a day.

**Materiality policy** information is available in State Board of Accounts memo at [http://www.in.gov/sboa/files/Directive\\_2015-6.pdf](http://www.in.gov/sboa/files/Directive_2015-6.pdf). You do not need to "register" your policy. Retain the policy in house since it is subject to an audit.

Is there a deadline? There is not a deadline for materiality threshold, but until you have a policy, the threshold is zero.

The threshold applies to staff and contractors, not patrons.

Any misappropriation of public funds by an employee or contractor must be reported to the State Board of Accounts regardless of the amount.

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**Loss of property:** Do you consider purchase price or replacement cost? That is determined by board policy.

**Bank reconciliations:** Do you want to have the library board approve bank reconciliations on a monthly basis? A monthly bank reconciliation is required to be performed each month by statute. The approval process is governed by your internal controls. There needs to be a segregation of duties, risk assessment and controls to prevent loss.

Are we covered because we pay a CPA who does payroll and bank reconciliation? You need to cover risk assessment in the internal controls and how the need is met.

**Internal Control Policy** Can you refer us to a good example of internal control policy? State Board of Accounts cannot refer you to specific examples other than those contained in the Uniform Internal Control Standards for Political Subdivisions. However, the State Library development office has gathered some examples and can share with you if requested.

Do you want process or procedures? State Board of Accounts responds that it can either be a narrative or detailed with step-by step procedures. You do not have to identify each step according to specific principles e.g. risk assessment principles; the auditor will understand the necessary components of internal controls and accompanying principles.

When auditors come in and look at internal controls manual, they realize it is an ongoing process. They will work with you. State Board of Accounts cannot make a blanket statement about the auditor's expected comment or finding.

**Travel policy** is up to the library. It needs to consider mileage rates, define travel status, meal reimbursement, and so forth.

**Contracts:** Refer your questions to DLGF – this chapter refers to DLGF and postings of materials to Gateway. See also the memo dated May 24, 2016 from DLGF Commissioner Courtney Schaafsma regarding this new requirement. [http://in.gov/dlgf/files/pdf/160524\\_-\\_Schaafsma\\_Memo\\_-\\_Contract\\_Reporting\\_Requirements.pdf](http://in.gov/dlgf/files/pdf/160524_-_Schaafsma_Memo_-_Contract_Reporting_Requirements.pdf)

Requires upload contracts that are 1) 10% of the political subdivisions property tax levy; or 2) \$50,000 at least amount to be paid. This applies to contracts that are in force during the year.

### **IC 5-14-3.8-3.5**

...political subdivision shall scan and upload the digital image of a contract to the Indiana transparency Internet web site during each year that the contract amount to be paid by the political subdivision for that year exceeds the lesser of:(1) ten percent (10%) of the political subdivision's property tax levy for that year; or(2) fifty thousand dollars (\$50,000).A political subdivision shall scan and upload the contract not later than sixty (60) days after the date the contract is executed.(c) Nothing in this section prohibits the political subdivision from withholding any information in the contract that the political subdivision shall or may withhold from disclosure under **IC 5-14-3**

Phone number for the Public Access Counselor regarding redaction: 317-233-9435.

The code that allows for redaction is **IC 5-14-3**.